A Look at the Mortgage Financing Industry, Then and Now

Growth. In Utah that's the name of the game, at least for now. Our population is growing much faster than the national average. Our economy is growing even faster with a new job creation rate over three times the rate of the rest of the country. What does all this growth mean? More demand for goods and services, particularly those related to family creation, like home buying and the financing that makes it happen.

When newlyweds start families, they create demand for housing. That has happened in spades for Utah. Added to this indigenous demand is the imported demand created by families moving to Utah. In this article, we'll look at a component of the larger financial activities industry, that part dealing with mortgages.

The financial activities sector in Utah accounts for 6 percent of all jobs in the state. That's 72,000 of the total 1.2 million jobs. Business activity in this sector includes the Federal Reserve Bank, regular commercial banks, credit unions, securities and investment trading, insurance, and trusts and other financial activities.

Mortgage brokers and real estate credit institutions are the two sub-industries we'll be studying. In light of the national news stories of sub-prime mortgage failures, we decided to see if these national trends were impacting businesses in Utah's mortgage industry. One of the best ways to do this is to look at jobs, the number of businesses in the industry, and the level of construction activity. If employment and the number of companies in the business are declining, then perhaps the national malaise may be impacting Utah.

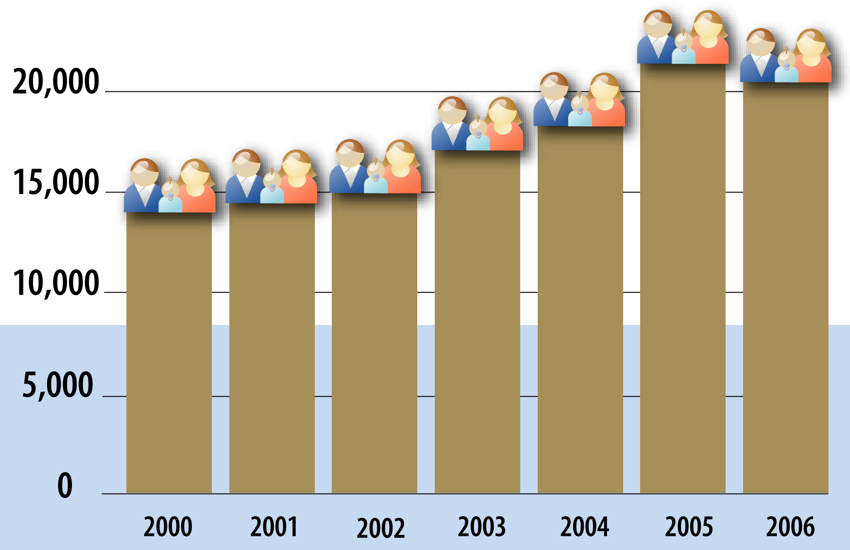
Looking back to 2000, employment in these mortgage-related industries was about 3,000. It experienced an accelerating climb by 2003 where the total was 5,200, a 60 percent jump since 2000 (see graph). Growth then slowed, and the number of jobs in this sector declined some, but in 2005 the industry turned the corner and picked up speed as the state economic recovery blossomed.

The growth in mortgage-related employment went hand-in-hand with the increases in single-family dwelling permit counts (see graph). At the same time, the number of firms in the mortgage business was increasing. That's the good news. Now, the potentially bad news. These indicators started changing after 2005. Single-family dwelling permits dropped 4.9 percent between 2005 and 2006. Also, the number of firms in the industry stopped growing and just idled at about 1,150 into 2007.

So does this industry employment, size, and construction activity analysis give us a definitive answer as to where the mortgage industry is going? Not really. It does, however, present us with perhaps a pause to ponder. Are we at the "tipping point" of a housing downturn? Single-family housing is off and we don't know the full extent of the impact of the national credit and financing soap opera upon Utah's economy. My guess is that building will continue to moderate and be buoyed by improved demand in the nonresidential portion of construction. Now we've built the rooftops (single family homes), the emphasis in construction will be the commercial building to support those new homes.

For more graphs on this article see http://jobs.utah.gov/opencms/wi/pubs/trendlines/janfeb08/mortgagereinfo.ppt

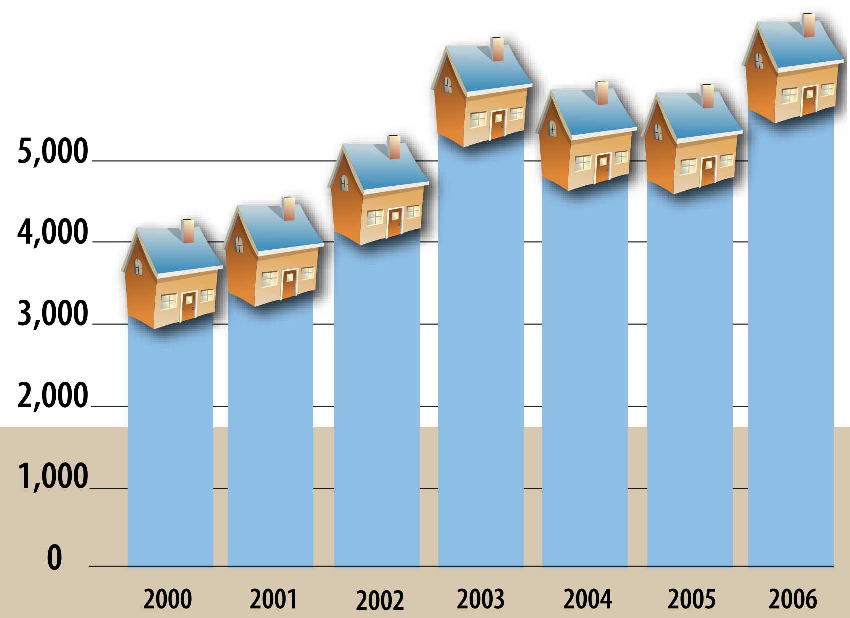
Number of New Single-Family Dwelling Units Permitted, Utah



Source: Utah Bureau of Economic and Business Research

Are we at the "tipping point" of a housing downturn?

Mortgage and Real Estate Credit Employment, Utah



Source: Utah Department of Workforce Services: November 2007